

R E P O R T

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS

DECEMBER 31, 2011

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS

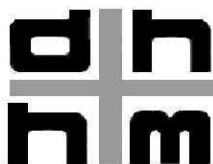
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INDEPENDENT AUDITOR'S REPORT

March 8, 2012

Honorable Mayor and Council of the
City of New Orleans, Louisiana

We have audited the statement of plan net assets of the Police Pension Fund of the City of New Orleans as of December 31, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of the Police Pension Fund of the City of New Orleans as of December 31, 2011, and the results of its operations and changes in net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2012 on our consideration of the Fund's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required statistical information on page 16 as required by the Governmental Accounting Standards Board, and the supplementary information on pages 14 - 15 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. This required statistical information for the years ended December 31, 2006 - 2011 and supplementary information for the year ended December 31, 2011, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required statistical information and the supplementary information on Pages 16 and 14-15, respectively, is fairly stated in all material respects in relation to the financial statements taken as a whole. We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Police Pension Fund of the City of New Orleans' basic financial statements for the years ended December 31, 2006 – 2010, which are not presented with the accompanying financial statements. In our reports dated June 7, 2007, June 19, 2008, May 8, 2009, May 12, 2010 and March 31, 2011, we expressed unqualified opinions on the respective financial statements. In our opinion, the required supplementary information on page 16 for the years ended December 31, 2006 – 2011 is fairly stated in all material respects in relation to the respective basic financial statements for the years ended December 31, 2006, 2007, 2008, 2009, 2010 and 2011.

Duplantier, Hrapmann, Hogan & Maher, LLP

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

The following is management's discussion and analysis of the financial performance of Police Pension Fund of the City of New Orleans (NOPP). It is presented as a narrative overview and analysis for purpose of assisting the reader with interpreting key elements of the financial statements, notes to the financial statements, required supplementary information, and supporting schedules for the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Fund's basic financial statements, which are comprised of three components:

- * Statement of plan net assets,
- * Statement of changes in plan net assets, and
- * Notes to the financial statements

This report also contains required supplemental information in addition to the basic financial statements themselves.

The statement of plan net assets reports the pension fund's assets, liabilities, and net assets held in trust for pension benefits. It discloses the financial position of the Fund as of December 31, 2011. The statement of changes in plan net assets reports the results of the pension fund's operations during the year disclosing the additions to and deductions from the plan net assets. It supports the change that has occurred to the prior year's net asset value on the statement of plan net assets.

Required supplementary information consists of schedules and related notes concerning the funded status of the Fund.

Supporting schedules include information on changes in reserve balances and administrative expenses.

NOPP FINANCIAL ANALYSIS

NOPP provided retirement benefits to all eligible police officers, members, and employees of the police department in the City of New Orleans. On March 6, 1983, the City of New Orleans entered into a merger contract with the Municipal Police Employee's Retirement System (MPERS) to transfer all active policemen who were participating in the City's Police Pension Fund. In addition to the active policemen, all retirees, widows and survivors were also merged. Due to a difference in benefits, retirees with less than twenty years of service did not transfer on the date of the merger. The final retiree in this category merged during October 2002. Employer contributions funded these benefits.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Act No. 793 of the 2004 Regular Session was signed by the Governor of the State of Louisiana and went into effect July 8, 2004. The Act provides for the disposition of the assets of the Fund in the following manner:

- (1) The total and final actuarial liabilities of the Fund shall be determined.
- (2) Monies representing the actuarial liabilities so determined shall be maintained by the Fund for the benefit of its remaining members.
- (3) An actuarial determination of administrative costs shall be made and additional monies shall be retained by the Fund sufficient to administer the Fund for a period of not less than the retirement age of the youngest employee member.
- (4) The amount by which the value of plan assets exceeds the present value of accrued benefits and actuarially determined administrative costs shall be paid to the Municipal Police Employees' Retirement System for satisfaction of any debt or obligation owed by the City of New Orleans to that system.

Statement of Plan Net Assets
December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash	\$ 105,059	\$ 120,929
Receivables	11,703	11,738
Investments	<u>1,698,782</u>	<u>1,698,762</u>
Total assets	<u>1,815,544</u>	<u>1,831,429</u>
 Total liabilities	 <u>10,181</u>	 <u>-</u>
 Net assets held in trust for pension benefits	 <u>\$ 1,805,363</u>	 <u>\$ 1,831,429</u>

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

Statement of Changes in Plan Net Assets
For the Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Additions:		
Contributions	\$ 144,920	\$ 171,383
Net investment income	<u>375</u>	<u>1,060</u>
Total additions	<u>145,295</u>	<u>172,443</u>
Total deductions	<u>171,361</u>	<u>149,728</u>
Increase(Decrease) in Plan Net Assets	\$ <u>(26,066)</u>	\$ <u>22,715</u>

Additions to Plan Net Assets

Additions to NOPP plan net assets were derived primarily from drivers' license revenue and investment income.

	<u>2011</u>	<u>2010</u>	<u>Decrease Percentage</u>
Drivers' and chauffeurs' licenses	\$ 144,920	\$ 170,565	(15.04)
Net investment income (expense)	<u>375</u>	<u>1,060</u>	(64.62)
Total	\$ <u>145,295</u>	\$ <u>171,625</u>	

Deductions from Plan Net Assets

Deductions from plan net assets include death and survivor benefits, transfers to other retirement systems and administrative expenses. Deductions from plan net assets totaled \$145,295 in 2011.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011

	<u>2011</u>	<u>2010</u>	<u>Increase Percentage</u>
Death benefits	\$ 34,000	\$ 32,000	06.25
Transfers to other retirement systems	23,478	4,620	408.18
Administrative expenses	<u>113,883</u>	<u>113,108</u>	00.69
Total	<u>\$ 171,361</u>	<u>\$ 149,728</u>	

Investments

NOPP is responsible for the prudent management of funds held in trust for the exclusive benefits of our members' pension benefits. Funds are invested to achieve maximum returns without exposing retirement assets to unacceptable risks. Total investments at December 31, 2011 amounted to \$1,698,782, as compared to \$1,698,762 at December 31, 2010, which is an increase of \$20 or .001 percent. The increase in investments is equal to the amount of interest income earned on the investments.

REQUESTS FOR INFORMATION

Questions concerning any of the information provided or requests for additional financial information should be addressed to Harold Hand, Board of Trustees of the New Orleans Police Pension, New Police Complex, Room 408, 715 South Broad Avenue, New Orleans, Louisiana 70119.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2011

ASSETS:

Cash (Note 4)	\$	105,059
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Receivables:

Drivers' and chauffeurs' license receivable		11,703
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Investments (at fair value): (Note 4)

Cash equivalents		<u>1,698,782</u>
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Total assets		<u>1,815,544</u>
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LIABILITIES

Accounts payable		<u>10,181</u>
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Total liabilities		<u>10,181</u>
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

(A schedule of funding progress for the plan is
presented on Page 16)

	\$	<u><u>1,805,363</u></u>
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POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

ADDITIONS: (Note 1)

Contributions:

Drivers' and chauffeurs' licenses	\$ 144,920
Total contributions	<u>144,920</u>

Investment income

Interest income	375
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Less: Investment expense	<u>-</u>
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Net investment income	<u>375</u>
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Total additions	<u>145,295</u>
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DEDUCTIONS: (Note 1)

Benefits paid	34,000
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Transfers to other retirement systems	23,478
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Administrative expenses (Page 15)	<u>113,883</u>
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Total deductions	<u>171,361</u>
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NET DECREASE	(26,066)
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NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:

Beginning of year	<u>1,831,429</u>
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END OF YEAR	<u>\$ 1,805,363</u>
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See accompanying notes.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

The Police Pension Fund of the City of New Orleans was created for the purpose of pensioning all officers, members and employees of the Police Department in the City of New Orleans, their widows, children and widowed mothers. Benefits, including retirement, disability retirements and death benefits, are provided as specified in the plan.

The Fund is administered by a Board of Trustees. Based on State statute, the board shall be composed of the Superintendent of Police, Director of Finance, Deputy Chief of the police department, all former Chiefs of Police, and six members from the active or retired rank of the police department. Election of the members from the active or retired rank shall be conducted under the direction and authority of the board.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with the standards established by the Governmental Accounting Standards Board (GASB) as the successor to the National Council on Governmental Accounting (NCGA).

In addition, these financial statements include the provisions of GASB Number 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* and related standards. This standard provides for inclusion of a management discussion and analysis as supplementary information.

Basis of Accounting:

The Fund's financial statements are prepared using the accrual basis of accounting. Member contributions for the purchase of military service credit are recognized at the time of purchase. Employer contributions are recognized when due from the City of New Orleans. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Interest income is recognized when earned.

Method Used to Value Investments:

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value.

The Police Pension Fund of the City of New Orleans is the administrator of a single employer pension plan. The Fund was created for the purpose of providing retirement allowances and other benefits as stated under the provisions of R.S. 11 for police officers, members, and employees of the police department in the City of New Orleans. The Fund is a defined benefit pension plan established under the laws of the State of Louisiana.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

2. PLAN DESCRIPTION:

On March 6, 1983, the City of New Orleans entered into a merger contract with the Municipal Police Employees' Retirement System (MPERS) to transfer all active policemen who were participating in the City's Police Pension Fund (which was comprised of an "old" pre-1968 and a "new" post-1968 retirement system) to MPERS. In addition to the active policemen, all retirees, widows and survivors were also merged. (All full-time policemen hired after July 12, 1977 are directly enrolled in the MPERS through legislative mandate).

As a result of the merger all active policemen are subject to the benefit formula and retirement eligibility requirements prescribed by MPERS. In addition, all retirees, widows and survivors were guaranteed to continue receiving their current benefit regardless of MPERS' benefit provisions.

In conjunction with the merger of active policemen with the MPERS, the City entered into a private agreement "No Loss in Benefit Guarantee" with the local policemen. The purpose of the agreement was to guarantee those policemen who were merged retirement benefits which would become payable by the Fund. Specifically, the Police Pension Fund provided retirement eligibility requirements of 16 and 20 years at any age, if employed prior to December 31, 1967. These eligibility requirements were more liberal than those of MPERS in that benefits are not payable until age 50 with 20 years of service or age 55 with a minimum of 12 years of service. Therefore, if a policeman retires prior to age 50, the agreement guarantees that the Fund will pay the benefit until age 50, at which time MPERS will commence retirement benefit payments. Similarly, for those policemen who were members of the old system, who retired with 16 years but less than 20 years, the agreement guarantees that the Fund will pay the benefit until age 55, at which time MPERS will commence retirement benefit payments. Effective October 31, 2002, all members had reached the eligibility requirements of MPERS.

Act No. 793 of the 2004 Regular Session was enacted into law on July 8, 2004. This law provided for the disposition of the assets of the Fund by requiring that the total and final actuarial liabilities of the Fund be determined and maintained as well as funds sufficient to administer the Fund for a period of not less than the retirement age of the youngest member. Any amounts above these amounts were transferred to MPERS for the satisfaction of any debt or obligation owed by the City of New Orleans to that system.

Death and Survivor Benefits:

When a retired policeman dies, a death benefit of two thousand dollars shall be paid to the beneficiary of the deceased member from the fund. No other benefits are paid from the fund.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

3. CONTRIBUTIONS AND RESERVES:

Contributions:

The Fund receives fifty percent of the license fee on the sale of drivers' and chauffeurs' licenses in the City of New Orleans. The Fund received \$144,920 in 2011.

Act No. 793 of the 2004 regular session went into effect July 8, 2004 requiring that all excess revenue over operating expenses related to driver's license fees in New Orleans be remitted to Municipal Police Employees' Retirement System. The Fund remitted \$23,478 during the year ended December 31, 2011.

Reserves:

Use of the term "reserve" by the Fund indicates that a portion of the fund balances is legally restricted for a specific future use. The nature and purpose of these reserves are explained below:

A) Annuity Savings:

The Annuity Savings is credited with contributions made by members for the purchase of prior service. The Annuity Savings is debited when the prior service purchased is transferred to another retirement system. When a member terminates his service or upon his death before qualifying for a benefit, the refund of his contributions is made from this reserve. The Annuity Savings balance is \$369,146 and it is fully funded. Refunds and transfers to other systems are permitted for contributions made after December 31, 1967. Contributions made prior to December 31, 1967 may only be transferred to other systems.

B) Pension Reserve:

The Pension Reserve consists of the reserves for all pensions, excluding cost-of-living increases, granted to members and is the fund from which such pensions and annuities are paid. Survivors of deceased beneficiaries also receive benefits from this fund. The Pension Reserve balance is \$902,589 and it is fully funded.

C) Pension Accumulation:

The Pension Accumulation consists of contributions from the driver's license fees, interest earned on investments and any other income not covered by other accounts. This fund is relieved when expenditures are not covered by other accounts. The Pension Accumulation balance is \$533,628.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

4. DEPOSITS AND CASH EQUIVALENTS:

Following are the components of the Fund's deposits and cash equivalents at December 31, 2011:

Deposits (bank balance)	\$ <u>112,203</u>
Cash equivalents	\$ <u>1,698,782</u>

Deposits:

The Fund's bank deposits were fully covered by federal depository insurance and pledged securities.

Cash Equivalents:

Cash equivalents consist of U S Treasury Money Market funds. The funds are held by the Fund's custodian's trust department in the Fund's name. The cash equivalents are carried at market value, which approximates cost and face value.

5. USE OF ESTIMATES:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

6. REQUIRED SUPPLEMENTARY SCHEDULE INFORMATION:

Information in the Required Supplementary Schedule is designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits and is presented on page 18.

7. SCHEDULE OF CONTRIBUTIONS:

The accompanying supplementary information does not contain a "Schedule of Contributions - Employer and Other Sources". Actuarially required contributions have not been determined since the Fund is fully funded.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

8. FUNDED STATUS AND FUNDING PROGRESS - PENSION PLAN:

The most recent actuarial valuation was performed August 2004. At that time, the Fund had a funded ratio of 101.22%, a surplus of \$22,027, and accrued liability of \$1,608,310.

The actuarial valuation of assets and actuarial accrued liability were calculated using the entry age actuarial cost method which is different from the actuarial method used for funding purposes. The above schedule of funding progress is to provide a surrogate for the funding status and funding of the plan.

The information presented in the Schedule of Funding Progress was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	August 23, 2004
Actuarial Cost Method	The Entry Age Normal Cost Method
Actuarial Assumptions:	
Investment Rate of Return	7%, net of expenses
Projected Salary Increases	N/A
Cost of Living Adjustments	N/A
Asset Valuation Method:	
Cash Equivalents	Cost which approximates market

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
STATEMENT OF CHANGES IN RESERVE BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Annuity Savings</u>	<u>Pension Reserve</u>	<u>Pension Accumulation</u>	<u>Total</u>
BALANCE - BEGINNING OF YEAR	\$ <u>369,146</u>	\$ <u>936,589</u>	\$ <u>525,694</u>	\$ <u>1,831,429</u>
REVENUES AND TRANSFERS:				
Drivers' and chauffeurs' licenses	-	-	144,920	144,920
Net investment income	-	-	375	375
	<u>-</u>	<u>-</u>	<u>145,295</u>	<u>145,295</u>
EXPENDITURES AND TRANSFERS:				
Benefits paid	-	34,000	-	34,000
Transfers to other state retirement systems	-	-	23,478	23,478
Administrative services	-	-	113,883	113,883
	<u>-</u>	<u>34,000</u>	<u>137,361</u>	<u>171,361</u>
NET INCREASE (DECREASE)	<u>-</u>	<u>(34,000)</u>	<u>7,934</u>	<u>(26,066)</u>
BALANCE - END OF YEAR	\$ <u><u>369,146</u></u>	\$ <u><u>902,589</u></u>	\$ <u><u>533,628</u></u>	\$ <u><u>1,805,363</u></u>

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUPPLEMENTARY INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

Office salaries	\$ 103,200
Office expense	2,701
Payroll taxes	7,893
Custodial (Bank) fee	<u>89</u>
Total	\$ <u><u>113,883</u></u>

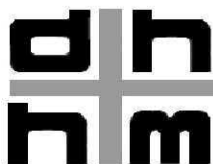
POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2006 - 2010

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Asset</u> <u>Valuation</u> <u>Date</u>	<u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>Entry Age</u>	<u>Funded</u> <u>Ratio</u>	<u>Surplus</u> <u>(Unfunded)</u> <u>AAL</u>	<u>Covered</u> <u>Payroll</u>	(UAAL) As a Percentage of <u>Covered</u> <u>Payroll</u>
December 31, 2004	December 31, 2006	\$ 1,647,714	\$ 1,625,687	101.36 %	\$ 22,027	\$ --	N/A
--	December 31, 2007	1,635,203	1,613,176	101.37	22,027	--	N/A
--	December 31, 2008	1,621,810	1,599,783	101.37	22,027	--	N/A
--	December 31, 2009	1,808,714	1,786,687	101.23	22,027	--	N/A
--	December 31, 2010	1,831,429	Not Known	Not Known	Not Known	--	N/A
--	December 31, 2011	1,805,363	Not Known	Not Known	Not Known	--	N/A

The above actuarial valuation of assets, actuarial accrued liability and unfunded amounts were calculated using the entry age actuarial cost method which is different from the actuarial method used for funding purposes. The above schedule is to provide a surrogate for the funding status and funding of the plan.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 8, 2012

Honorable Mayor and Council of the
City of New Orleans

We have audited the financial statements of the Police Pension Fund of the City of New Orleans for the year ended December 31, 2011 and have issued our report thereon dated March 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Police Pension Fund of the City of New Orleans' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Police Pension Fund of the City of New Orleans' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Police Pension Fund of the City of New Orleans' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting (2011-01 and 2011-02). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Police Pension Fund of the City of New Orleans' response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Police Pension Fund of the City of New Orleans' response and, accordingly, we express no opinion on it.

This report is intended for the information of the City Council, the Board of Trustees, management, and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Police Pension Fund of the City of New Orleans for the year ended December 31, 2011 was unqualified.
2. Internal Control
Significant deficiencies: 2011-01, 2011-02
Material weaknesses: None
3. Compliance and Other Matters
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY ACCEPTED
GOVERNMENTAL AUDITING STANDARDS:

2011-01 - Journal Entries:

Statement of

- | | |
|-----------------|--|
| Condition: | As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries. Journal entries were required for accruals and investment income. This condition is intentional by management based on the cost effectiveness of acquiring the ability to prepare the adjusting journal entries. |
| Criteria: | Generally accepted auditing standards now consider preparation of year-end adjusting entries to be a significant deficiency in internal control. |
| Cause: | Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Fund has relied on its auditors to identify and correct financial statement misstatements. |
| Recommendation: | As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary. |

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF AUDITOR'S RESULTS: (Continued)

2011-01 - Journal Entries: (Continued)

Response: In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Fund's year-end adjusting journal entries. We therefore agree with the auditor's recommendation that no corrective action is necessary.

2011-02 - Preparation of Financial Statements

Statement of

Condition: As is common in small organizations, management has chosen to engage the auditor to prepare the Fund's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Criteria: Generally accepted auditing standards now consider that the lack of a complete GAAP financial reporting package could prevent those charged with governance from identifying misstatements in a timely manner which could result in misstated or incomplete financial statements and is thereby now considered to be a significant deficiency in internal control.

Cause: Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The System has relied on its auditors to assist management in the preparation of draft financial statements.

Recommendation: As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 115. In this case, we do not believe that curing the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Response: In response to the finding, management feels that it is a prudent use of funds to engage the auditor to prepare the Fund's annual financial reports. We therefore agree with the auditor's recommendation that no corrective action is necessary.

POLICE PENSION FUND OF THE
CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

SUMMARY OF PRIOR YEAR FINDINGS:

2010-01 - Journal Entries:

Statement of

Condition: As is common in small organizations, management has chosen to engage the auditor to propose certain year-end adjusting journal entries. Journal entries were required for accruals and investment activity. This condition is intentional by management based on the cost effectiveness of acquiring the ability to prepare the adjusting journal entries.

Status: See current year finding 2011-01.

2010-02 - Preparation of Financial Statements:

Statement of

Condition: As is common in small organizations, management has chosen to engage the auditor to prepare the Fund's annual financial statements. This condition is intentional by management based upon the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Status: See current year finding 2011-02.